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LANSING

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SUPERINTENDENT OF
PUBLIC INSTRUCTION

February 9, 2012

TO: State Board of Education

FROM: Michael P. Flanagan, Chairman 

SUBJECT: Presentation on Financially Troubled Districts in Distress

Historically, Michigan Department of Education (MDE) staff has worked closely with districts that are in a deficit situation. Because Michigan is a locally controlled state and districts are governed by locally elected boards of education, a significant amount of responsibility is placed on the school board and administration to allocate financial and staff resources to accomplish educational objectives of the district. Therefore, when staff works with districts in a deficit situation, they stress that decisions related to actual expenditures or programs are the responsibility of the local board and administration, not MDE. A list of districts currently in deficit can be found at:

http://www.michigan.gov/documents/mde/DEP07leg_224982_7.pdf.

Based on our experience with deficit districts, staff determined that a proactive and cross-agency approach to districts that could become or are financially troubled but not yet in deficit would be extremely beneficial at both the state and local levels. A cross-agency team from MDE and Treasury, with input from the Office of Retirement Services, began meeting in early January to discuss and analyze possible early warning indicators that could be correlated to financial distress. This on-going dialogue has been extremely beneficial. Specific indicators have not yet been determined because of the necessary analysis to assure there is direct correlation to a district becoming financially troubled. Once draft early warning indicators have been identified, they will be vetted with the Michigan School Business Officials. When finalized, a letter and the indicators will be sent to all districts stressing that these indicators should be seriously considered as the district administration and board of education make the difficult decisions associated with operation of a financially and instructionally sound district.

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